

divestcap

From: charles@divestcap.com
Sent: Sunday, April 18, 2004 11:58 PM
To: 'Bruce Hill'
Cc: 'Michelle Yt'; Mor Sag; Eldad Gal
Subject: Royalty

Follow Up Flag: Follow up
Flag Status: Flagged

After a solid day of number crunching, I just finished the 2004YTD GCI numbers. Sightline is almost done too. I still need to run a number of payroll reports, do the SDC / SSC allocation, and reconcile to cash, which will realistically take 6 more hours. After all that, I can re-cut the numbers to show a GCI / SSC pro forma that we can give to the Japanese.

Mor & Bruce - Concurrent with all of this, especially given the approaching 1st year anniversary, we need to figure out the royalty obligation, and how this transaction and the grouping together of GCI and SSC would affect that. I'll get the language from the purchase docs, type it into an email, and circulate so we can reach consensus. Eldad - we'll look for your thoughts / advice as well.

Charlie

Charles C. Hale
DivestCap Management Corp
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2223
NY Office: 212 651 9023
charles@divestcap.com

Visit DivestCap at:
www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: charles@divestcap.com
 Sent: Tuesday, April 20, 2004 2:54 PM
 To: Bruce Hill; Eldad Gal; Mor Sag; Avi Vigder
 Subject: Earn Out
 Attachments: image001.jpg

Follow Up Flag: Follow up
 Flag Status: Flagged

Subject to Attorney Client Privilege

Here's the earn-out language for each constituent whom we owe an earn-out.

TO BANKRUPTCY ESTATE**Language**

(ix) Additional consideration equal to ten percent (10%) of the post-tax cash flow of the Assets of the Company acquired by Purchaser, after return of the Purchase Price, any invested capital in the Company and after an internal rate of return of five percent (5%), during the period beginning on the end of the first full calendar month following the Closing and ending on the second anniversary of that date. Such amounts will be payable within forty-five (45) days following each of the first and second anniversaries of such month end.

Note: confirmation of this language is also in the cross receipt/bill of sale

Comments

- To my knowledge, the purchase price has not been returned to Oldpoint International
- Moreover, all capital generated currently remains invested in the company with the exception of capital distributed from the SightLine Systems distributorship in the United States. This capital is roughly \$120,000, I think - below the earn-out threshold. Moreover, this entity does not actually belong to the assets acquired - it is a distributorship.
- Cash flow not defined

TO DEEPHAVEN**Language -**

In consideration of the payment of \$100,000.00 from DivestCap or its assignee, the receipt and sufficiency of which is hereby acknowledged, the Investors hereby sell, assign, convey and otherwise transfer to DivestCap or its assignee any and all interests or claims either of them may have against FORTEL, Inc., a California corporation (the "Debtor"), including, without limitation, a) any claim arising under the Securities Purchase Agreement, dated as of July 18, 2000, as the same may have been amended from time to time thereafter, including the amendment of November 6, 2000 (the "Purchase Agreement"), b) any claim for liquidated damages arising under or relating to the Purchase Agreement or the transactions contemplated thereby, and c) any claim for fees, costs or expenses arising from any such transaction or any proceedings arising from or relating to any such transaction.

Language - In Fax

☒

Comments

- Note: Bill of Sale does not mention the royalty

- Looks pretty clear to me that we're not obligated to pay until DivestCap or its assignee takes profits. DivestCap hasn't taken any profits. Arguably, the intent of the language was broader though – if meant any profits we as investors distribute. I can't speak to Oldpoint but believe all capital generated currently remains invested in the company with the exception of capital distributed from the SightLine Systems distributorship in the United States. However, this entity does not actually belong to the assets acquired – it is a distributorship. So, it's ambiguous still. Profits in the distributorship, tax-wise, were 120k, for a royalty of \$6k. If we were to count personal comp paid as carried interest profit, the number would be closer to \$20k royalty.

Thoughts? Obviously, BSL involvement would change things quite a bit.

Charlie

Charles C. Hale
DivestCap Management Corp
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com

Visit DivestCap at:
www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: charles@divestcap.com
Sent: Monday, May 10, 2004 5:03 PM
To: 'beberna@deephavenfunds.com'
Cc: Eldad Gat; Bruce Hill
Subject: Deephaven & Harp Royalty
Attachments: image001.jpg; SSC TAX RETURN 2003.PDF

Follow Up Flag: Follow up
Flag Status: Flagged

Bruce,

As an interim step to calculating the Deephaven and Harp royalties, I am attaching our 2003 tax return, which shows Sightline's profit from inception (April 26) through December 31, 2003. You will see that we accomplished a significant turnaround, bringing the company to a profit of \$127k. This may not seem like a lot of money but it is much more profit than the business had generated cumulatively over probably the last eight years.

My preliminary unaudited cash gain through April of this year is \$181,983. This number includes a paydown of \$268k of the purchase price, with \$169k remaining. Two points ensue: (1) You can therefore look at the operating cash flow as \$182k + \$268k, or \$450k, which would generate approximately \$23k a year in royalties from Sightline, and (2) were we to pay down the whole investment, we would have an IRR to date of about 9%, putting us below the royalty threshold for now. While we are considerably above plan, it's still the case that this business is very much as we predicted at buyout: a nice way to support two of us at DivestCap but not much more than that and excellent 363 experience.

For reference, I have attached the royalty language (clipped from the fax):



We believe we can grow this business significantly, but doing so will require putting it on a venture footing and investing cash rather than harvesting. Given our growth plans, and that the Sightline royalties to DeepHaven and Harp would be about \$23k per year without a growth footing, it occurs to me that it might be easier for all of us if we buy you out. Eldad has given us guidance that you would probably need at least the equivalent of three years in payments. That's an aggressive number for us now, but feasible and perhaps we should talk about it. Certainly, we want to put ourselves in a position where we can do this sort of transaction again for larger buyouts, and have your profits from us be meaningful.

Best regards,
 Charlie

Charles C. Hale
 Mobile: 617 818 2222
 NY Office: 212 651 9823
charles@divestcap.com

DivestCap
 Management Corporation

 65 Madison Avenue, Room 21
 New York, NY 10021
 Toll Free: 866 806 6400
 Main: 212 651 9900
 Fax: 212 651 9010
 www.divestcap.com

June 10, 2004

 Harris Williams & Co.
 30 Federal Street, 6th Floor
 Boston, Massachusetts 02110
 Attention: Philip Ivey

Dear Philip:

On behalf of DivestCap Management Corporation ("DivestCap"), an affiliate of Sage Capital Growth ("Sage"), we are pleased to submit to Harris Williams & Co. a non-binding, preliminary indication of interest ("Proposal") for the acquisition of the Agfa Monotype business ("Monotype," or the "Business") of Agfa-Gevaert N.V. ("Agfa"). This document, and the documents referred to herein, are confidential information and their respective terms and existence are subject to the terms and conditions of the confidentiality agreement between DivestCap and the Company.

We have reviewed the Confidential Information Memorandum that you have provided us in connection with a transaction involving the Business, as supplemented on June 3, 2004 (the "Memorandum"). We have assumed for purposes of this Proposal that the information set forth in the Memorandum is accurate and complete in all material respects, and that there will be no material change in such information between now and the closing. Our initial assessment, strengthened by extensive experience in electronic publishing, suggests that Monotype's strong customer base, international OEM franchise and profitable business model make it an ideal candidate for DivestCap's software buyout strategy.

As you directed on June 3, 2004, this Proposal is an indication of our interest in a possible transaction involving the Business, and the valuation range that we would propose for such a transaction. We understand that this is a preliminary indication of interest upon which you will select parties to conduct meetings with management and due diligence. The Proposal will not create any legal rights for any party.

For purposes of the proposed acquisition structure below, we have assumed that all assets of the Business will be held by Monotype Corporation or one of its wholly owned subsidiaries as of the closing date.

Proposed Acquisition Structure

DivestCap would propose to acquire 100% of the outstanding capital stock of Monotype Corporation, directly or through one or more affiliates.

Valuation Range and Form of Consideration

DivestCap's valuation range for the Business is 6.0 to 7.0 times revised 2004 estimated EBITDA, or US\$135 - \$160 million. This would be an all-cash transaction, paid at closing. We are certain we can close expeditiously within this valuation range provided the revised estimated 2004 EBITDA remains firm.

Comment (MSCH002): Pending discussion with P&B.

Divest Cap

Financing

In arriving at our valuation, we have received guidance from our debt sources that we can finance this transaction with approximately 4.0 - 4.75 times debt to revised 2004 EBITDA. We would anticipate financing a transaction with a combination of senior debt, subordinated debt, and equity. DivestCap may also use a limited amount of junior subordinated debt.

DivestCap has strong relationships with a number of debt financing sources. To date, for this transaction, we have received separate financing indications from:

1. Bank of America, and
2. The Royal Bank of Scotland

Each debt financing source believes the Business is a strong candidate for senior and mezzanine financing. Bank of America has indicated they would finance the Business with senior leverage of 3.0 times revised 2004 EBITDA, and total leverage of 4.0 times.

The Royal Bank of Scotland has indicated they would finance the Business with senior leverage of 3.25 times revised 2004 EBITDA, and total leverage of 4.75 times, with an additional amount to be determined possibly available in a junior lien.

Neither bank has made a commitment to provide financing; any such commitment would only be contained in definitive documentation executed by each party and delivered following due diligence and the seeking of internal approvals.

Given these indications, assuming a purchase at the midpoint of our range, or \$150 million, DivestCap would directly provide 25% - 40% of the proposed consideration in the form of equity.

Our principal leveraged finance contacts at these banks are:

Debra E. DeVecchio
Managing Director
Mid-Cap Technology Group
Bank of America
100 Federal Street
Boston, MA 02110
(617) 424-2815

Steven C. Orino
Vice President
Leveraged Finance
The Royal Bank of Scotland
101 Park Avenue
New York, N.Y. 10178
(212) 401-1382

Other Information

Sage Capital Growth

Sage Capital Growth is a global private equity fund dedicated to identifying, evaluating and investing in a variety of investment opportunities worldwide. For almost a decade, Sage and related funds have made investments in different sectors and industries throughout North America, Europe and Asia. In the aggregate, these investments have included over 300 transactions with an aggregate value in excess of US \$3.0 Billion and spanned, among other areas, Real Estate, Venture Capital, Debt and Buyout transactions.

DivestCap

DivestCap Management Corporation

Founded in 2002 as Sage's buyout division, DivestCap specializes in acquiring and managing information technology companies. DivestCap combines the financial structuring and large transaction capabilities of a significant buyout firm with the growth technology sensibility of a venture capital investor. DivestCap's general partners have extensive experience in electronic publishing, and have bought divisions from both of the Business's Printer Imaging competitors. DivestCap's partners have participated in over 150 transactions and have 30 years of investment and operational experience in the computer hardware and software industries. DivestCap and Sage have the capital to invest \$400 million in any single transaction.

For the acquired company, DivestCap's mission is to build value, providing the resources each investment needs to realize its potential. For the selling company, DivestCap's mission is to meet the seller's objectives by structuring transactions quickly and flexibly, with certainty of close and maximum positive public perception. Through our acquisition process, we help the seller create shareholder and creditor value. For the acquired company's customers, DivestCap's mission is to create added value by making their satisfaction the cornerstone of our management approach.

We strongly prefer to employ existing management teams and incent them strongly to act as co-owners in their and our value creation through equity, equity participation, and similar incentives.

Select Sage/DivestCap transactions include:

Company	Transaction Amount (Equity)	Investment Type
ING Bank Leading global financial institution	€250 million	Market Investment
Telefonica, S.A. Spanish national telephone company	€150 million	Market Investment
Aspen Technology Process and plant optimization enterprise software	\$60 million	Private Placement
Suncoast Design Corporate divestiture of enterprise software company	Undisclosed	Buyout
Sightline Systems Enterprise software turnaround	\$18 million	Buyout

You may find additional information regarding Sage at www.sagecap.com and DivestCap at www.divestcap.com.

Thank you for your consideration of DivestCap's interest in this transaction. We look forward to working with you and hope to hear from you shortly. Should you have any questions regarding this letter, please call either Eldad Gal of Sage at (212) 651-9005 or the undersigned at (617) 818-2222.

Divest. Cap

Very truly yours,

DIVESTCAP MANAGEMENT CORPORATION

By: _____
Charles C. Hale
General Partner

10-JUN-04

C O N F I D E N T I A L

PAGE 4 OF 4

divestcap

From: charles@divestcap.com
Sent: Tuesday, June 15, 2004 12:29 AM
To: Avi Vigder
Cc: 'Bruce Hill'; 'Michelle Yi (E-mail)'; Eldad Gal; Mor Sagi
Subject: RE: Kenan Systems

Follow Up Flag: Follow up
Flag Status: Flagged

Bought for \$260mm in 2002. CSGS may position higher but would probably let it go for what they paid for it.

It's roughly fairly valued – on a comp basis, \$40mm of high profile license worth \$120mm, \$60mm of maint worth \$100mm, and 70mm of svc worth \$40mm.

Charles C. Hale
 Mobile: 617 818 2222
 NY Office: 212 651 9023
charles@divestcap.com

-----Original Message-----

From: Vigder, Avi [mailto:Avi@sagecap.com]
Sent: Tuesday, June 15, 2004 12:17 AM
To: charles@divestcap.com
Cc: Bruce Hill; Michelle Yi (E-mail); Gal, Eldad; Sagi, Mor
Subject: RE: Kenan Systems

what is the expected price?

-----Original Message-----

From: charles@divestcap.com
 [mailto:charles@divestcap.com]
Sent: Mon 6/14/2004 7:10 PM
To: Vigder, Avi
Cc: Bruce Hill; Michelle Yi (E-mail); Gal, Eldad; Sagi, Mor
Subject: Kenan Systems

Avi –

Michelle has been pursuing CSG Systems (Symb CSGS) for a while. We are under NDA with them. They have a division called Kenan they bought for \$260mm from Lucent in 2002. Revs are somewhere between \$160mm and \$180mm. CSGS may position higher but would probably let it go for what they paid for it.

The business has 230 customers. 79% of its revenues were generated outside the U.S. It is EBITDA break even, although (i) \$10mm alone is wasted on frivolous R&D, and a service business is masking a highly profitable billing business (over \$60mm in maintenance). Companies like AT&T Wireless, BellSouth, and Singapore Telec use Kenan for its billing software (billing mediation, real-time rating engines, revenue settlement solutions, etc). HIGHLY mission critical and embedded. Written entirely in COBOL. Needless to say, we know how to get businesses like this to more appropriate EBITDA margins.

Could we find a Japanese angle here? The question marks are (i) whether we could manage Kenan to get the cash flow we'd need to get a lift on the Japanese markets, (ii) what CSG would require with their stock being so overpriced, and (iii) whether we could get any material leverage – probably tough with the no substantial trailing EBITDA.

Thoughts?

Charlie

Charles C. Hale
DivestCap Management Corp
660 Madison Avenue, Floor 21

New York, NY 10021

Mobile: 617 819 2222
NY Office: 212 651 9923
charles@divestcap.com

Visit DivestCap at:
www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: charles@divestcap.com
Sent: Thursday, June 17, 2004 10:19 PM
To: Avi Vigder
Cc: 'Bruce Hill'; Eldad Gal
Subject: Agfa / Coware
Attachments: FW: Mgmt meeting; RE: Mgmt meeting

Follow Up Flag: Follow up
Flag Status: Flagged

AGFA

Eldad and we are moving ahead on Agfa. The next step is to get the debt teams (a) to management meetings and (b) working on draft commitment letters.

YHOO

Yahoo appears to be softening, which is good. They offered up seller financing tonight, which could work well. We continue to drag this out. We will learn only this upcoming week if timing really matters. If it does, we'll get a good deal.

COWARE

Had another call with Coware's CFO (Peter) today, in which i (i) overviewed the fact that a merger could be threatening to Guy, (ii) pinned his reluctance on that, and (iii) discussed how he is not important to the combined entity. Peter didn't really blink, and reconfirmed a strong interest pending confirmation that the technology can match and integrate. We suspect a fit but neither of us actually knows if it can or can't. So, good progress on the Guy/Coware angle, but we still need a next step, and their R&D head visiting Guy all alone isn't an ideal one. I didn't propose anything delaying a suggestion for Peter until Friday. Bruce and I are working on one and will keep you posted. Still very tricky but better.

AETHER

Is trying to sell yet another division. Fellow short man Andrew Nikou sourced it for us. He is now in LA and making noises about gearing up his own little firm. This is great because we may be able to get him sourcing deals without being on the payroll (we could give him a promote). Deal probably stinks (Aether market cap too high) but GTG and PEH are in there and we'll see. Andrew still strikes me as a great cold caller - which can be very valuable - but that's about it.

Charlie

Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com

divestcap

From: Hale, Charles [charles@divestcap.com]
Sent: Thursday, July 22, 2004 3:40 PM
To: Hill, Bruce
Cc: Yi, Michelle; Gal, Eldad
Subject: RE: Follow ups

Follow Up Flag: Follow up
Flag Status: Flagged

We know the business, margin of safety, etc. Calling now

Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9823
charles@divestcap.com

-----Original Message-----

From: Hill, Bruce
Sent: Thursday, July 22, 2004 3:30 PM
To: Hale, Charles
Cc: Yi, Michelle; 'Gal, Eldad'
Subject: RE: Follow ups

Off the phone now - I assume it is the usual make them understand that we know the business angle - anything else special?

-----Original Message-----

From: Hale, Charles
Sent: Thursday, July 22, 2004 3:24 PM
To: Hill, Bruce
Cc: Yi, Michelle; 'Gal, Eldad'
Subject: RE: Follow ups

Let's call Ivan as soon as you get off the phone. Fleet bank is coming here shortly for a meeting, which I'll try to make brief

Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9823
charles@divestcap.com

-----Original Message-----

From: Hill, Bruce
Sent: Thursday, July 22, 2004 3:14 PM
To: Hale, Charles
Cc: Yi, Michelle; Gal, Eldad
Subject: FW: Follow ups

When do you want to call Ivan?

I'm trying to help Chris closed a \$300K opportunity at Western Union, which is what I have been doing for the last 90 minutes.

-----Original Message-----

From: Ivan Zinn [mailto:IZinn@hbk.com]
Sent: Thursday, July 22, 2004 2:21 PM
To: Hale, Charles; Yi, Michelle
Cc: Gal, Eldad; Hill, Bruce
Subject: RE: Follow ups

Thanks for follow ups. I will talk to you and bruce and be able to give you some feedback shortly.

-----Original Message-----

From: Hale, Charles [mailto:charles@divestcap.com]
Sent: Thursday, July 22, 2004 1:10 PM
To: Ivan Zinn; Yi, Michelle
Cc: Gal, Eldad; Hill, Bruce
Subject: RE: Follow ups

Ivan -

1. The fiscal year end is December. We will need auditor confirmation of numbers prior to close.

Note that the company just came in substantially over plan. The bankers are "scrambling madly" to get us a package with June numbers, but that it looks like 2004 1H EBITDA will be about \$16.5 million, meaning that the 11M EBITDA is about \$27.5 million. We will get you these numbers immediately when they come it.

2. There must be historicals further back. We do not have them however, and need to ask. We can do that if you like.

3. I went through the pro forma adjustments (table 33) in some detail last month. We would accept them at face value for now anyway but these look unusually reasonable and conservative.

4. Bruce and I will call you to discuss the ops related to splitting this business out. The systems are largely independent and standalone.

The company uses Great Plains, which we would continue with, substantially easing all of the F&A infrastructure transition issues.

Sales tracking, etc., we would probably migrate to a web-based system

like Salesforce.com. Legal, audit, etc., we would do a combo of

rolling in house and moving to our own vendors. We usually have substantial cash pickup on these functions versus the parent's spend. I suspect we would have a pickup here too but can't confirm until next stage diligence.

We'll try calling you very soon.

Best,
Charlie

Charles C. Hale

Mobile: 617 818 2222

NY Office: 212 651 9823

charles@divestcap.com <<mailto:charles@divestcap.com>>

From: Ivan Zinn [<mailto:IZinn@hbk.com>]
Sent: Wednesday, July 21, 2004 7:37 PM
To: Hale, Charles; Yi, Michelle
Cc: Gal, Eldad
Subject: Follow ups

Charles and Michelle

I think there was a spreadsheet or two you were going to send me as a follow up to our call. Any additional financial analysis that you have done (profitability by segment), correlation with printer sales, \$ made by Agfa per printer sold, etc. would be helpful.

On that topic a couple of questions:

1. the '04 numbers are fiscal year ended June 30, correct? Will there be audited numbers prior to close? How is the fiscal year ended June 30 when prior audits were December 31? I want to be certain that I am financing off true latest twelve month numbers.

2. Do you have any longer term historicals than 2000?

3. Any concern about the pro forma adjustments (Table JJ in the book) or are you accepting them at face value for now?

4. Are you concerned at all about splitting this business out of agfa corporate? I've seen separations that are easy and those that are very costly and companies that materially underestimate what it will cost on a replacement basis for services previously provided by the corporate parent.

Thanks,
Iqz

Ivan Q. Zinn
HBK Investments L.P.
300 Crescent Court, Suite 700
Dallas, TX 75201
P: 214-758-6509
F: 214-979-8309
izinn@hbk.com

divestcap

From: Hale, Charles [charles@divestcap.com]
Sent: Tuesday, August 10, 2004 4:49 PM
To: Ivey, Philip
Cc: Gal, Eldad; Hill, Bruce; Yi, Michelle
Subject: DivestCap Sage Agfa Proposal + SPA Redline
Attachments: DIVESTCAP SAGE AGFA PROPOSAL 10 AUG 04.pdf; Monotype Draft Stock Purchase Agreement DMC_REDLINE.DOC

Follow Up Flag: Follow up
Flag Status: Flagged

Phil,

Would you please confirm receipt of the attached? It's been a privilege for us to work with you, Harri Williams, and Monotype. I hope we will be able to continue to do so with this transaction.

Best regards,
Charlie

Charles C. Hale
DivestCap Management Corp
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com

Visit DivestCap at:
www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: Charles Hale [charles@divestcap.com]
Sent: Wednesday, September 01, 2004 5:34 PM
To: bob_pinkerton@csgsystems.com
Cc: joe_ruble@csgsystems.com
Subject: DivestCap

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Bob,

Thanks for the time today on CSG. For the reasons we briefly discussed, I'd appreciate you and Joe continuing to keep us in mind for strategic alternatives, especially for Keenan.

Safe travels, Joe,

Information on DivestCap follows.

Thanks in advance and best regards,
Charlie

Charles C. Hale
DivestCap Management Corp.
Sage Capital Growth
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com

OVERVIEW

DivestCap Management Corporation is an investment firm that specializes in acquiring, managing, and growing leading information technology companies. DivestCap and its affiliate Sage Capital Growth have offices in New York, Boston, Tokyo, and Israel. Since 2001, DivestCap and Sage have invested over \$2 billion in areas including venture capital, expansion financing, and buyout transactions.

DIVESTCAP PHILOSOPHY

DivestCap's primary purpose is to grow formerly non-core technology assets into great companies. A DivestCap transaction instills strict financial discipline and operating focus while giving the management teams the human and financial resources they need to be successful entrepreneurs. We believe this is the approach CSG has taken with Keenan. This approach also works for us: DivestCap has accomplished proven and consistent success building its companies while achieving high levels of growth, profitability, and stakeholder satisfaction.

We are deeply committed to working with existing management to (i) retain the services of employees and (ii) provide the highest levels of customer satisfaction.

For the seller, our transactional approach stresses quick and straightforward discussions leading to fair and mutually beneficial outcomes. We follow this approach because we believe it is the right way to conduct business.

REPRESENTATIVE INVESTMENTS AND CUSTOMERS

Select Sage/DivestCap transactions include:

- ING Bank (Leading global financial institution, \$250 million market investment)
- Telefonica, S.A. (Spanish national telephone company, \$150 million market investment)
- Aspen Technology (Process and plant optimization enterprise software, \$60 million private placement)
- OSI Systems (Security and medical equipment scanning, \$50 million recapitalization for acquisition)
- Summit Design (Corporate divestiture of enterprise software company, \$ undisclosed buyout)

- SightLine Systems (Enterprise software turnaround, \$18 million buyout)

Representative customers for our portfolio companies include UBS, Lloyd's TSB, the United States Department of Defense, Philips, ST Micro, Thales, ING, NEC and Lufthansa.

DivestCap current portfolio companies include:

-- Summit Design (www.sd.com). A high-growth turnaround acquired by DivestCap in April 2002, Summit's software is shaping the future of the Electronic Design Automation and improving the way electronic systems are designed. DivestCap's acquisition of Summit Design illustrates our commitment to the hands-on work necessary to rebuild an established business. Within five months of acquisition, DivestCap built an effective worldwide management team. Since buyout, Summit has more than tripled revenue, strongly ramping new license sales while achieving EBITDA positive operations on a consistent basis. Summit won selection from a field of hundreds as a finalist for this year's EDN Innovation Awards.

-- SightLine Systems (www.sightlinesystems.com) (FKA FORTEL Inc.). A public company acquired under Section 363 of the US Bankruptcy Code in April 2003, SightLine has successfully built on 20 years of leadership in the performance monitoring market while drawing on DivestCap's substantial human and financial resources to drive the SightLine product family forward worldwide.

INVESTMENT CRITERIA

DivestCap investments tend to fall into one of two profiles. The first is healthy, mature businesses with strong and stable EBITDA. At least for the time being, we are willing to buy these businesses at aggressive multiples. The second profile is businesses with operating problems — even severe ones — that can be fixed through focused attention and resources. We are value buyers for these businesses, usually winning on more certainty of close and fast execution than price.

An ideal DivestCap acquisition has:

- An established customer base and proven technology
- \$10 - \$500 million in revenue with a recurring revenue component
- A strong growth engine, and
- Teams geared toward entrepreneurial growth

OTHER

DivestCap understands how to document and close transactions quickly and effectively, concentrating on those issues which are truly important. We understand the constraints of operating in a public company environment and in bankruptcy situations, and adjust our timing and deal structures to meet the seller's goals.

Please visit www.divestcap.com for more of information on DivestCap.

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: Hale, Charles [charles@divestcap.com]
 Sent: Thursday, October 21, 2004 2:57 PM
 To: Avi Vigder
 Cc: Eldad Gal; Hill, Bruce
 Subject: FW: FIRM BACKGROUND

Follow Up Flag: Follow up
 Flag Status: Flagged

FYI -- this is the sample firm background I'm sending out for this deal. I think it's good but let me know if you think we should be changing any part, especially related to the mothership (Sage).

Charlie

DRAFT

Frank,

You had asked us to send you an overview of DivestCap / Sage and our interest in Augusta Technologies AG.

Overview

Sage Capital Growth is a global private equity fund dedicated to identifying, evaluating and investing in a variety of investment opportunities worldwide. For almost a decade, Sage and related funds have made various investments in different sectors and industries throughout North America, Europe and Asia. In the aggregate, these investments have included over 300 transactions with an aggregate value in excess of \$3.0 billion and spanned, among other areas, real estate, venture capital, debt and buyout transactions.

DivestCap Management Corporation is an investment group within Sage that specializes in private equity investing in technology companies. The majority of DivestCap's transactions involve either buying or investing in financially distressed technology companies, and actively supporting their return to growth and profitability.

DivestCap and Sage have offices in New York, Boston, Tokyo, and Israel.

DivestCap Philosophy

DivestCap's philosophy focuses on the transformation of troubled situations into fundamentally strong operating companies. A DivestCap buyout or investment focuses on instilling strict financial discipline and operating focus while giving the management teams the human and financial resources they need to be successful entrepreneurs.

We are deeply committed to working with existing management to (i) retain the services of employees and (ii) provide the best in customer satisfaction. We focus on long-term growth, not maximizing short-term cash flow.

For the seller, our transactional approach stresses quick and straightforward discussions leading to fair and mutually beneficial outcomes. We follow this approach because we believe it is the right way to conduct business.

Representative Investments and Customers

Select DivestCap / Sage transactions include:

Company	Transaction Amount (Equity)	Investment Type
---------	-----------------------------------	--------------------

ING Bank	\$250 million	Market
Leading global financial institution		Investment
Telefonica, S.A.	\$150 million	Market
Spanish national telephone company		Investment
Aspen Technology	\$60 million	Private Placement
Process and plant optimization enterprise software		
OSI Systems	\$50 million	Recapitalization
Security and medical equipment scanning		for Acquisition
Summit Design	Undisclosed	Buyout
Corporate divestiture of enterprise software company		
SightLine Systems	\$18 million	Buyout
Enterprise software turnaround		

Representative customers for our portfolio companies include UBS, Lloyd's TSB, the United States Department of Defense, Philips, ST Micro, Thales, ING, NEC and Lufthansa.

DivestCap current portfolio companies include:

- ⇒ **Summit Design (www.sdl.com)**. A high-growth turnaround acquired by DivestCap in April 2002, Summit's software is shaping the future of the Electronic Design Automation and improving the way electronic systems are designed. DivestCap's acquisition of Summit Design illustrates our commitment to the hands-on work necessary to rebuild an established business. Within five months of acquisition, DivestCap built an effective worldwide management team. Since buyout, Summit has more than tripled revenue, strongly ramping new license sales while achieving EBITDA positive operations on a consistent basis. Summit won selection from a field of hundreds as a finalist for this year's EDN Innovation Awards.
- ⇒ **SightLine Systems (www.sightlinesystems.com) (F/K/A FORTEL, Inc.)**. A public company acquired under Section 363 of the US Bankruptcy Code in April 2003, SightLine has successfully built on 20 years of leadership in the performance monitoring market while drawing on DivestCap's substantial human and financial resources to drive the SightLine product family forward worldwide.

Other

DivestCap / Sage understands how to document and close transactions quickly and effectively, concentrating on those issues which are truly important. We understand the constraints of operating in a public company environment and in bankruptcy situations, and adjust our timing and deal structures to meet the seller's goals.

Please visit www.divestcap.com for more of information on DivestCap.

Please visit www.sagecap.com for more of information on Sage.

SELECT DIVESTCAP PARTNER BIOS

Charles Hale

Charles is a General Partner of DivestCap and an executive with Sage Capital Growth ("Sage").

Previously, Charles was an associate with Deutsche Bank AG's buyout fund, DB Capital Partners LP, where he specialized in technology buyouts. DB Capital's tech buyouts included Stratus Computer and Kinetics. Prior to DB Capital, Charles was a Senior Analyst in Technology Corporate Finance at Deutsche Banc Alex. Brown. Charles also held various operational roles for Inso Corporation, a distressed 500 person enterprise software spinout from Houghton Mifflin Corporation.

Charles was CFO of DivestCap companies SightLine Systems and Summit Design for their turnarounds. SightLine had lost approximately \$100 million in the four years prior to DivestCap's acquisition. It is now profitable and growing. Summit was losing over \$10mm per year at acquisition, and suffering severe revenue declines. Under DivestCap

ING Bank	\$250 million	Market
Leading global financial institution		Investment
Telefonica, S.A.	\$150 million	Market
Spanish national telephone company		Investment
Aspen Technology	\$60 million	Private Placement
Process and plant optimization enterprise software		
OSI Systems	\$50 million	Recapitalization
Security and medical equipment scanning		for Acquisition
Summit Design	Undisclosed	Buyout
Corporate divestiture of enterprise software company		
SightLine Systems	\$18 million	Buyout
Enterprise software turnaround		

Representative customers for our portfolio companies include UBS, Lloyd's TSB, the United States Department of Defense, Philips, ST Micro, Thales, ING, NEC and Lufthansa.

DivestCap current portfolio companies include:

- ⇒ Summit Design (www.sd.com). A high-growth turnaround acquired by DivestCap in April 2002, Summit's software is shaping the future of the Electronic Design Automation and improving the way electronic systems are designed. DivestCap's acquisition of Summit Design illustrates our commitment to the hands-on work necessary to rebuild an established business. Within five months of acquisition, DivestCap built an effective worldwide management team. Since buyout, Summit has more than tripled revenue, strongly ramping new license sales while achieving EBITDA positive operations on a consistent basis. Summit won selection from a field of hundreds as a finalist for this year's EDN Innovation Awards.
- ⇒ SightLine Systems (www.sightlinesystems.com) (F/K/A FORTEL Inc.). A public company acquired under Section 363 of the US Bankruptcy Code in April 2003, SightLine has successfully built on 20 years of leadership in the performance monitoring market while drawing on DivestCap's substantial human and financial resources to drive the SightLine product family forward worldwide.

Other

DivestCap / Sage understands how to document and close transactions quickly and effectively, concentrating on those issues which are truly important. We understand the constraints of operating in a public company environment and in bankruptcy situations, and adjust our timing and deal structures to meet the seller's goals.

Please visit www.divestcap.com for more of information on DivestCap.

Please visit www.sagecap.com for more of information on Sage.

SELECT DIVESTCAP PARTNER BIOS

Charles Hale

Charles is a General Partner of DivestCap and an executive with Sage Capital Growth ("Sage").

Previously, Charles was an associate with Deutsche Bank AG's buyout fund, DB Capital Partners LP, where he specialized in technology buyouts. DB Capital's tech buyouts included Stratus Computer and Kinetics. Prior to DB Capital, Charles was a Senior Analyst in Technology Corporate Finance at Deutsche Bank Alex. Brown. Charles also held various operational roles for Inso Corporation, a distressed 500 person enterprise software spinout from Houghton Mifflin Corporation.

Charles was CFO of DivestCap companies SightLine Systems and Summit Design for their turnarounds. SightLine had lost approximately \$100 million in the four years prior to DivestCap's acquisition. It is now profitable and growing. Summit was losing over \$10mm per year at acquisition, and suffering severe revenue declines. Under DivestCap

leadership, Summit more than tripled revenue since buyout, ramping new license sales while achieving EBITDA positive operations on a consistent basis. Summit won selection from a field of hundreds as a finalist for this year's EDN Innovation Awards.

Charles received an M.B.A. with honors from Harvard Business School and a B.A. from Yale University, where he was elected to Phi Beta Kappa. Charles won the 2000 Fidelity-HBS Investment Challenge.

Ernst Gemessner

Ernst Gemessner is an Operating Partner with DivestCap. He is a seasoned, multilingual international executive with strong hands on experience in software and hardware.

Ernst's operational roles have included:

Vice President and General Manager, Adobe Systems Europe

Senior Vice President for all International Operations, Novell Inc.

Chief Executive Officer of Brain AG, a 650 person enterprise software company headquartered Freiberg, Germany

CEO Gupta Technologies Inc, a \$25mm revenue enterprise software company headquartered in California

Ernst speaks fluent German, English, French, and Russian.

Charles C. Hale
DivestCap Management Corp
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com

Visit DivestCap at:
www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: Hale, Charles [charles@divestcap.com]
Sent: Thursday, November 11, 2004 7:57 PM
To: 'Nathaniel@sagecap.com'
Cc: 'Yi, Michelle'; Eldad Gai; Hill, Bruce
Subject: Fw: Kana

Follow Up Flag: Follow up
Flag Status: Flagged

Nathaniel - FYI - we're moving ahead on kana with a call with the bankers 1pm Fri, thanks to eldad. As with anything else we do, please join if you like. Michelle will have the details.

I have let Andrew Scott know that we have taken this path (with eldad, and giving the history as background), so that he should stand down for now. Without a commit or specifics (in part because I have no idea what would be standard), I've let him know we'd take care of him to the extent I can - which should be sufficient - if we do a deal. I think we're all on board that we can do that in some capacity given how this guy has been, and can be, a sourcing machine. He's no Michelle, of course, but Michelle and we could get a ton of good volume from him as long as he knows we'll pay for successful sourcing.

Charlie

-----Original Message-----

From: Hale, Charles <charles@divestcap.com>
To: Yi, Michelle <Michelle@divestcap.com>
CC: 'Jennifer@sagecap.com' <jennifer@sagecap.com>; Hill, Bruce <Bruce@divestcap.com>
Sent: Thu Nov 11 19:36:34 2004
Subject: Re: Kana

Oh yes - fax # +44 (0)20 7493 1264. One omits the zero in parentheses, I think. Thank you!

-----Original Message-----

From: Hale, Charles <charles@divestcap.com>
To: Yi, Michelle <Michelle@divestcap.com>
CC: 'Jennifer@sagecap.com' <jennifer@sagecap.com>; Hill, Bruce <Bruce@divestcap.com>
Sent: Thu Nov 11 18:55:32 2004
Subject: Kana

Michelle - would you mind digging up (a) the kana financial results press release from earlier this week, and (b) its last 10k and:

1. Emailing them to bruce and me, and
2. Asking Jennifer to fax the press release and the 10k, leaving out supplemental disclosure schedules (if the main k is huge - over 60p - just fax the first 50).

Thank you

Charlie

divestcap

From: Hale, Charles [charles@divestcap.com]
Sent: Monday, November 22, 2004 3:56 PM
To: Gal, Eldad
Cc: Hill, Bruce
Subject: term sheet

Follow Up Flag: Follow up
Flag Status: Flagged

Eldad -can email to bgh the t/s for review? Pdf or word. Thx

My comments:

- shouldn't we put 10 and 5 on the size? My read of Chuck is that he is a "big picture" guy will give disproportionately for that. The fact that we are 2 stepping the \$15mm investment makes it more in our interest to deliver on the \$10m
- more comments coming ...

Charles C. Hale
DivestCap Management Corp
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com

Visit DivestCap at:
www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: Hale, Charles [charles@divestcap.com]
Sent: Monday, November 29, 2004 9:54 AM
To: avi_1234@tmo.blackberry.net; Vigder, Avi; Gal, Eldad
Subject: Re: Japan / Illiquid Public SW

Follow Up Flag: Follow up
Flag Status: Flagged

Ok. I should be back in nyc this afternoon. C

-----Original Message-----

From: Avi Vigder (Blackberry) <avi_1234@tmo.blackberry.net>
To: Hale, Charles <charles@divestcap.com>; avi@sagecap.com <avi@sagecap.com>; eldad@sagecap.com <eldad@sagecap.com>
Sent: Mon Nov 29 08:50:52 2004
Subject: Re: Japan / Illiquid Public SW

Charlie, I think it all makes sense but let's discuss it. I am in ny this week so let's talk.

-----Original Message-----

From: "Hale, Charles" <charles@divestcap.com>
Date: Mon, 29 Nov 2004 08:25:14
To: <avi@sagecap.com>, <eldad@sagecap.com>
Subject: Japan / Illiquid Public SW

Avi / Eldad

2 things:

1. Japan & Buyouts

Has the window passed for an Agfa-type buyout? What I mean by Agfa-type is a 7-8 multiple EBITDA-positive tech buyout achieved at low equity risk in part via our Japanese activities.

If it hasn't, we have a new market for sourcing that I think makes a lot of sense. No auctions, less wasted time. I'll send a fuller description of what's cooking if you think there's still potential.

2. Illiquid public software

I know these might look like small deals and, I dare say a short-term time sink for Eldad - but I think the illiquid public software PIPEs can be excellent investments. The timing is perfect, Sage is great at them, and we'll make sure the investments are safe and have good upside. Of the 30 on our highest qualified target list, about 50% have the safety and other criteria we need to be good deals.

If KANA does go through, how would you react to the idea that you invest some part of the Sage funds through DMC? That way:

(i) Bruce and I could get carry on the portion you run through there. However much you feel is fair, that's the amount you allocate, and

(ii) We could potentially hold some of equities longer or shorter than you might, and see how we do.

If you think I am sinking crack with this proposal, let me know. I am confident all economics will work out in the long run, which is what we're in for.

Charlie

Charles C. Hele

DivestCap Management Corp

660 Madison Avenue, Floor 21

New York, NY 10021

Mobile: 617 815 2222

NY Office: 212 651 9023

charles@divestcap.com

Visit DivestCap at:

www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

Sent wirelessly via BlackBerry from T-Mobile.